



**Washington State  
Liquor Control Board**

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**Business Advisory Council**

**Meeting Minutes  
December 1, 2010, 9:30 a.m. – Noon  
Liquor Control Board  
Headquarters Office  
3000 Pacific Avenue  
Olympia, WA 98504**

**Business Advisory Council Members in Attendance:**

**Stakeholders:**

Theresa Hancock, Contract Liquor Store Managers  
Mark Levine, Distillers Representatives Association of Washington (DRAW)  
John Guadnola, Washington Beer and Wine Wholesalers Association  
Heather McClung, Washington Brewer's Guild  
Jan Gee, Washington Food Industry Association  
Anthony Anton, Washington Restaurant Association  
Jean Leonard, Washington Wine Commission and Washington Wine Institute  
Steve Lynn, Small Businesses and Distributors  
TK Bentler, Washington Association of Neighborhood Stores  
Paul Schieck, Washington State Sports and Entertainment Facility Operations and Association

**Liquor Control Board:**

Sharon Foster, Chair  
Ruthann Kurose, Board Member  
Pat Kohler, Administrative Director  
Rick Garza, Deputy Director

**Also in Attendance:**

Ron Main and Phil Wayt, Washington Beer and Wine Wholesalers Association, Aubrey Seffernick, Nooksack Tribe; Stephanie Meier, Stoel Rives; Carolyn Logue, Washington Food Industry Association; Adam Smith, DISCUS; Carrie Tellefson, DRAW; Charlie Brown, Diageo; and Holly Chisa, NW Grocery Association. Staff from the Liquor Control Board present were Curtis Richardson, Bill Berni, Dora Duvall, Randy Simmons, Pat Parmer, Pat McLaughlin, Alan Rathbun, Karen McCall, and Roni Pettit.

Sharon Foster, Chair of the Liquor Control Board welcomed the members of the Business Advisory Council (BAC) and introductions were made by each council member.

**Rick Garza, Deputy Administrative Director**

Rick Garza provided a post update on the initiatives. Even though the initiatives didn't pass, it is apparent that voters are still looking for convenience. The LCB has been moving toward that

direction already and are working on a plan to provide improved convenience to our customers. The plan will be submitted to the Governor for approval and as soon as there is more information to report, Rick will share details with BAC members. The LCB staff are presenting to the Senate Labor & Commerce meeting on December 7. The presentation will outline how the LCB is looking at standardized hours with state and contract stores. The public has requested later closing times at our stores.

#### **Karen McCall, Rules Coordinator**

Karen McCall went over the proposed agency request legislation for 2011. The main highlights are revisions to RCW 66.24 in regard to restrictions, strong beer, and menu items. RCW 66.04 regarding nightclubs is also being proposed. (See attachment.)

Alan Rathbun reported that restriction on licenses have to go through the process and the owner would have the opportunity to challenge restrictions. Heather McClung expressed concern that the alcohol content would not include only strong beer but also lower content. Microbreweries are often 5.5 to 6.7. Jean Leonard also echoed the same concerns for fortified wines. TK Bentler inquired as to whether it will require labeling changes. Karen McCall responded that it would not require labeling changes and would be by local jurisdiction and license type. Rick Garza indicated that Karen McCall will send an email to further clarify the process before the legislature convenes.

Karen also shared the agency's pending rulemaking with the group. Per the Governor's Executive Order 10-06, the development and adoption of rules that are non-critical have been suspended. Rulemaking on Extended and Outside Service, Brief Adjudicative Proceedings, Licensed Agents, Split Cases, and Permits have all been withdrawn. Rulemaking on alcohol energy drinks will continue due to the affect on public safety. (See attachment.)

The issue paper regarding Alcohol Energy Drinks was distributed (see attachment), including the outline of the dates that we will file the anticipated rulemaking as well as the letter from the FDA to the four manufacturers. LCB staff will be meeting with their assistant attorney general to determine whether or not legislation or permanent rulemaking should be pursued. John Guadnola asked about the status on relicensing or labels on reformulated products. Karen indicated it's only for products with no stimulants. The labels for those products are currently being considered. We are asking for list of ingredients. John Guadnola informed the group that they are still sitting on inventory and cannot recover costs unless they are reformulated. Sharon Foster indicated that this matter would be brought before the Board on December 8. Sharon thanked the stakeholders for their input.

#### **Roundtable**

Charlie Brown shared that they will be talking to the legislature and LCB to levelize the playing field in the malt beverage arena. They are still investigating at this point and will share the language when they are ready to move forward.

Carrie Tellefson spoke to the controversial issues of liquor tasting in grocery stores. They are interested in receiving feedback regarding any concerns.

Adam Smith indicated that their legislative priority is also tastings.

Mark Levine reported that the mark up can't incur any increase in the coming year. Their industry feels that the elasticity has gone as far as it can. They will be watching this closely on the hill this session.

Carolyn Logue indicated they are still watching privatization and how to get more in the retail market.

Aubrey Seffernick reported that they have no proposed legislation at this time.

John Guadnola shared that they have not drafted legislation yet; however they are still planning to draft something on the special occasion license. They also may be looking into drafting something on the primary source rule for counterfeit issues.

Anthony Anton indicated they are mostly watching cost as customers want the cheapest thing on the menu.

Holly Chisa and Paul Schieck reported that they have nothing at this time.

TK Bentler indicated that they are watching retail but not pushing any particular legislation.

Heather McClung shared that they are interested in modifying microbrew legislation.

Jean Leonard reported that they are likely to move forward with a licensing proposal for a non-producing license. They will be meeting with the Washington Restaurant Association to discuss the corkage fee issue. Restaurants and wineries are working together to promote tourism. If a customer purchases a bottle of wine, they can bring the bottle to a local restaurant that same day with a receipt and the corkage fee will be waived. They can't specify between brands and it's only within geographic areas. It was suggested that this item be brought up at the December 8 Board meeting.

#### **Pat Parmer, Enforcement Chief**

Pat gave an update on the following:

- Out of 194 applications, 192 have been approved. The two that were not approved were grocery store applications which did not meet the 9000 sq foot rule.
- LCB is at a 66 percent compliance with 28 checks/7 sales. The Board is in the process of sending out a letter to remind licensees to be careful about vertical IDs.
- Some locations of strategic interest are DUI complaints, Bellingham's downtown corridor are experiencing problems with gangs and overcrowding. The Bellingham Police Department asked the LCB to join them to form a partnership to deal with these issues. Anthony Anton indicated that he would like to work with Pat Parmer on a voluntary compliance program. They would like to launch the program in January and move forward in the spring. Pat Parmer also offered to arrange a ride along with

enforcement officers for anyone who is interested. They are located throughout the state so urban areas are doable. Please contact Pat Parmer if you are interested.

**Pat McLaughlin, Business Enterprise Director**

Pat gave an update on the following:

SB 6444 – last session, the LCB was tasked with doing a study to identify stores in transition that would result in the greatest efficiency and cost-effectiveness for the state. (See attachment.)

Carolyn Logue asked whether the state stores/employees would stay in the same location. Civil service laws would not apply for employees. Landlords may not rent to a private contractor. Phil Wayt asked if there was any reason why a grocery store couldn't do it. Carolyn responded that there is a prohibition in the law. TK Bentler inquired as to whether it could lower commercial leases. Pat McLaughlin indicated that we have not seen a reduction in rates in retail lease space and we are still trying to locate in convenient spots.

Mark Levine asked if the formulations are increasing the number of stores who may not succeed. Pat McLaughlin reported that the commission structure is as high as 18 percent. If the commission structure is too high, the state will not benefit. Rick Garza mentioned that if the higher volume stores are converted to an all contract model, it will cost more. The LCB will share with the legislature what the cost is to run the business and they will decide. He also noted that there is a lot of misinformation about the 51 percent markup.

Carolyn Logue asked what other retailers are in the same location. Pat Kohler responded that they didn't go beyond looking at the 20 stores and that we are looking at other models as well. Pat also indicated that we will share information as it's available.

Pat McLaughlin also gave a report on Business Enterprise (see attachment) and showed a video which gave an overview of the LCB (<http://www.youtube.com/user/WSLCB>).

The next BAC meeting is scheduled for January 26, 2011 at the Liquor Control Board Headquarters Office in Olympia. The meeting time will be from 9:30 a.m. to 12:30 p.m.

**Attachments:**

1. Rules Update
2. 2011 Proposed Agency Request Legislation
3. Issue Paper - Alcohol Energy Drinks
4. SB 6444 Power Point Presentation
5. Business Enterprise Report